

AGRICULTURAL ASSETS TRANSFER TAX AND CONTRACT FARMING TAX CREDITS

Prior Law

The Agricultural Assets Transfer Tax Credit is available for individual and corporation income taxes for landowners that assist beginning farmers in acquiring agricultural assets, such as land or equipment, by lease or rental agreement. The Iowa Agriculture Development Authority (IADA) is responsible for determining tax credit eligibility. The IADA may issue up to \$6 million in tax credits per year. The tax credit equals 5% of the amount paid to the taxpayer under the agreement or 15% of the amount paid to the taxpayer from crops or animals sold under an agreement in which the payment is exclusively made from the sale of crops or animals.

The lease or rental agreement may be terminated by either the taxpayer or the beginning farmer. If the IADA determines that the taxpayer is not at fault for the termination, the IADA will not issue a tax credit certificate for subsequent years, but any prior tax credit certificates issued will be allowed. If the IADA determines that the taxpayer is at fault for the termination, any prior tax credit certificates issued will be disallowed, and the tax credits can be recaptured by the Department of Revenue.

New Provisions

The existing \$6 million tax credit cap is increased to \$12 million. Eight million of that amount is allocated for the Agricultural Assets Transfer Tax Credit. The tax credit percentages for cash rent and crop share agreements are increased from 5% and 15% to 7% and 17% respectively. If the beginning farmer is also a veteran, landowners may claim an additional 1% of eligible expenses, making the credit effectively 8% and 18% for the first year of the agreement.

The remaining \$4 million dollars in the tax credit program is allocated for a new Custom Farming Contract Tax Credit. The custom farming credit is available for landowners who hire a beginning farmer to do custom work and allows the landowner to claim 7% of the value of the contract on a tax credit. If the beginning farmer is a veteran, the credit is 8% for the first year.

For both the Agricultural Assets Transfer Tax Credit and the Custom Farming Contract Tax Credit, IADA will issue tax credit certificates, which cannot exceed \$50,000 for an individual taxpayer for this credit. The certificate must be attached to an Iowa tax return in order to claim the credit. Any credit in excess of the tax liability may be credited to the tax liability for the following five years or until depleted, whichever is earlier.

The IADA may adjust the allocation of the \$12 million of tax credits by adoption of a resolution.

Both tax credits are repealed effective December 31, 2017.

Section Amended_____

Section 1 of 2013 Iowa Acts House File 599 amends section 2.48, subsection 3, paragraph e, subparagraph (1), Code 2013. Section 2 amends section 175.2, subsection 1, Code 2013. Section 3 strikes section 175.4, subsection 18, Code 2013. Section 4 amends section 175.8, subsection 1, unnumbered paragraph 1, Code 2013. Section 5 amends section 175.8, subsection 2, Code 2013. Section 6 creates new section 175.36A, Code Supplement 2013. Section 7 creates new section 175.36B, Code Supplement 2013. Section 8 amends section 175.37, subsection 1, Code 2013. Section 9 amends section 175.37, subsection 2, paragraph b, Code 2013. Section 10 amends section 175.37, subsection 4, Code 2013. Section 11 amends section 175.37, subsection 5, Code 2013. Section 12 amends section 175.37, subsection 6, Code 2013. Section 13 amends section 175.37, subsection 8, unnumbered paragraph 1. Section 14 strikes section 175.37, subsection 8, paragraph c, Code 2013. Section 15 amends section 175.37, subsection 9, unnumbered paragraph 1, Code 2013. Section 16 amends section 175.37, subsection 9, paragraph b, Code 2013. Section 17 strikes section 175.37, subsection 10, Code 2013. Section 18 creates new section 175.38, Code Supplement 2013. Section 19 creates new section 175.39, Code Supplement 2013. Section 20 amends section 422.11M, Code 2013. Section 21 amends section 422.12, Code 2013. Section 22 repeals section 175.35, Code 2013.

Effective Date_____

Effective June 17, 2013 and retroactive to January 1, 2013, for tax years beginning on or after that date.